

# Service Area Plan

## Department of Human Resource Management

### Health Benefits Services (70406)

## Service Area Background Information

### Service Area Description

This statutorily mandated unit has the responsibility of administering comprehensive health benefits and long-term care programs for state employees, state retirees and their dependents. It is also responsible for providing health benefits and long-term care programs to local governments and school jurisdiction employees, dependents and retirees.

Associated outcomes include providing health benefits and related programs that are competitive with private industry and other governmental entities.

### Service Area Alignment to Missio

This service area directly aligns with DHRM's mission to provide our customers with guidance, consultation, training, and delivery of services.

The service area also aligns with agency goals:

- Provide statewide leadership in all areas of human resources management and address continuously changing management needs of state agencies throughout the Commonwealth
- Provide timely, accurate and consistent human resource information utilizing cost effective delivery channels.

In addition, the service area aligns with Council on Virginia's Future vision and long-term objectives; to be the best managed state in the country, and to inspire and support Virginians toward healthy lives and strong and resilient families.

### Service Area Statutory Authority

Code of Virginia Section 2.2-2818

### Service Area Customer Base

Customer(s)	Served	Potential
Agency internal service areas	7	7
General Public	100	3,563,770
Governor, staff and cabinet	1	1
HR Departments	180	180
Legislative branch agencies	7	7
Local Employers	240	1,000
Local Governments	325	960
Other states	49	49
Private Sector	125	270,000
Retiree benefits	26,000	26,000
Senators, delegates & staff	140	140
State Employees	100,900	140,785
State Retirees	26,000	26,000
TLC groups and retirees	29,000	120,000

### Anticipated Changes In Service Area Customer Bas

Partnerships with private sector employers for Healthy Virginians initiatives will increase number of customers in that area. Expansion of The Local Choice health program to more local government entities will increase the number of local governments and local government employees and retirees served

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#### **Service Area Partners**

##### **Aetna**

Insurance provider for long term care coverage offered to state and local government employees and retirees and terminated state employees who have a vested benefit under VRS

#### **Service Area Partners**

##### **Anthem Blue Cross and Blue Shield**

Third party administrator for medical/surgical benefits provided under state and The Local Choice health programs

#### **Service Area Partners**

##### **Aon Consulting**

Actuarial and health benefits consulting for state and The Local Choice health programs

#### **Service Area Partners**

##### **Continental Health Promotion**

Third party administrator for wellness programs provided to state employees and employees of The Local Choice groups

#### **Service Area Partners**

##### **Delta Dental**

Third party administrator for dental benefits provided under the state and The Local Choice health

#### **Service Area Partners**

##### **FBMC**

Third party administrator for flexible reimbursement accounts provided under the state health program

#### **Service Area Partners**

##### **Health Management Corporation**

Disease management program administrator for state and The Local Choice health programs provided through Anthem Blue Cross and Blue Shield

#### **Service Area Partners**

##### **Kaiser Permanente**

Insurance provider for HMO coverage provided under the state and The Local Choice health programs

#### **Service Area Partners**

##### **Medco Health**

Third party administrator for drug benefits provided under state and The Local Choice health programs

#### **Service Area Partners**

##### **Value Options**

Third party administrator for behavioral health and employee assistance benefits provided under the state and The Local Choice programs

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#### **Service Area Products and Service**

- Health Program Administration: Comprehensive administration of state and TLC health programs for active and retired employees, including plan design, pricing, vendor liaison, communication, enrollment, training, problem resolution and funding analysis.
- Policy Administration: Development, application and interpretation of policies and procedures as well as state and federal regulations related to or impacting the health program.
- Vendor Management: procurement, contract administration and on-going management activities to ensure adherence to contract and plan benefits and an appropriate level to service to state and TLC employees and retirees.
- Federal and State Regulatory Compliance: evaluation and application of federal and state laws as required to maintain all program components in compliance with applicable regulations.
- Customer Service: Ombudsman: Interaction with employees, retirees, human resource and benefits administrators, legislators and other in response to written, telephone or email inquiries or requests for assistance related to health program benefits, claims, eligibility. Manages appeals processes and provides intervention in sensitive cases.

#### **Factors Impacting Service Area Products and Services**

Increasing cost of health care cost (program trend line of 12% over the past several years) makes it increasingly difficult to offer a comprehensive yet affordable health program to state and local government employees and retirees.

Claims related to lifestyle and behavioral choices account for approximately 35% of annual claim cost. This, in conjunction with an aging population, contributes to escalating cost of health program and impacts quality of life.

Cost of retiree coverage is a continuing source of concern as program premium increases in that population push the cost out of reach for many. As with the active population, it is increasingly difficult to provide a comprehensive and affordable retiree program.

Medicare Part D (Medicare drug benefit) will change the drug benefit offered to retirees covered under the program. While retiree drug premium may be reduced as a result of the new Medicare program, communication of a complex and often confusing Federal program will be challenging. In addition, the changing landscape with CMS (Centers for Medicare and Medicaid Services) guidelines creates additional challenges with program design, pricing and communication.

#### **Anticipated Changes To Service Area Products and Service**

The need for programs focused on changing lifestyle and behavioral choices that impact health is anticipated to grow. The average age of the state population continues to increase, with inherently higher cost.

Program changes will be incorporated to incent wellness and preventive care, with a view toward avoidance as well as early detection and treatment of chronic disease.

Retiree programs may be in flux for the first several years of the new Medicare Part D benefit as the cost of the program to the Federal government is unknown and changes may be required to make it affordable.

#### **Service Area Human Resources Summary**

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#### Service Area Human Resources Overview

The service unit is staffed primarily with professionals and specialists, with some administrative support staff. Staff members are highly experienced in their field, keep abreast of state and federal regulatory changes and industry trends, and adapt to changing requirements and expectations including a constantly changing legislative environment.

#### Service Area Full-Time Equivalent (FTE) Position Summary

Effective Date: 07/01/2005

Total Authorized Position level ..... 19

Vacant Positions ..... 1

    Non-Classified (Filled)..... 0

    Full-Time Classified (Filled) ..... 18

    Part-Time Classified (Filled) ..... 0

    Faculty (Filled) ..... 0

Wage ..... 0

Contract Employees ..... 0

Total Human Resource Level ..... 18

#### Factors Impacting Service Area Human Resources

Average age of staff continues to increase, and a number are at or approaching retirement eligibility. Staff have recently had to adjust workload to compensate for staff vacancies and new staff members added as a result of turnover.

#### Anticipated Changes in Service Area Human Resources

Over the next several years there is anticipated to be some staff turnover due to retirement. In addition, legislative mandates and increased focus on wellness, disease management and preventive care may necessitate additional staff. The factors will result in recruitment cost or require a readjustment or realignment of products, services and expectations.

#### Service Area Financial Summar

	<u>Fiscal Year 2007</u>		<u>Fiscal Year 2008</u>	
	General Fund	Nongeneral Fund	General Fund	Nongeneral Fund
Base Budget		\$2,323,950		\$2,323,950
Changes To Base	\$0	\$130,455	\$0	\$130,455
SERVICE AREA TOTAL		\$2,454,405		\$2,454,405

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**Service Area Objectives, Measures, and Strategies**

**Objective 70406.01**

***Maintain a competitive health benefits program for state and local government employees and retirees.***

The program provides a cost-effective health benefit program for state employees and retirees and employees and retirees of local government groups participating in The Local Choice program.

**This Objective Supports the Following Agency Goals:**

- Provide statewide leadership in all areas of human resources management and address continuously changing management needs of state agencies throughout the Commonwealth.  
( In addition, the service area aligns with Council on Virginia’s Future vision and long-term objectives: to be the best managed managed state in the country and to inspire; and to support Virginians toward healthy lives and strong and resilient families.)
- Provide timely, accurate, and consistent human resource information utilizing cost effective delivery channels.

**This Objective Has The Following Measure(s):**

● **Measure 70406.01.01**

***Increase utilization of disease management program***

**Measure Type:** Outcome      **Measure Frequency:** Annually

**Measure Baseline:** 41% participation in disease management program

**Measure Target:** 43% participation in disease management program, representing a 5% increase

**Measure Source and Calculation:**

“Better Prepared” and individual vendor case disease management program statistics provided by HMC (Health Management Corporation).

● **Measure 70406.01.02**

***Increased number of employees completing health risk assessments (HRA) at their work-site through Co***

**Measure Type:** Outcome      **Measure Frequency:** Annually

**Measure Baseline:** 8,600 employees participated in the health risk assessment

**Measure Target:** 8772 employees participated in the health risk assessment, representing a 2% increase

**Measure Source and Calculation:**

Program participation statistics provided by CommonHealth.

● **Measure 70406.01.03**

***Increased number of employees participating in wellness programs that promote Healthy Virginians con***

**Measure Type:** Outcome      **Measure Frequency:** Annually

**Measure Baseline:** 45,000 employees participated in wellness programs

**Measure Target:** 45,900 employees participated in wellness programs, representing a 2% increase

**Measure Source and Calculation:**

Program participation statistics provided by CommonHealth

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- **Measure 70406.01.04**

***Measure contract standards and assess liquidated damages for underperformance pursuant to the contract***

**Measure Type:** Outcome      **Measure Frequency:** Annually

**Measure Baseline:** 100% contract standards measured. Assess liquidated damages by October 31st each year

**Measure Target:** 100% contract standards measured. Assess liquidated damages by October 31, 2006

**Measure Source and Calculation:**

Annual reporting provided by each vendor and reviewed and certified by Aon Consulting

- **Measure 70406.01.05**

***Medical/surgical program customer satisfaction for state and local health plan participants***

**Measure Type:** Outcome      **Measure Frequency:** Annually

**Measure Baseline:** Above 50% average rating of overall health plan and overall health care in the HEDIS Survey conducted annually for Anthem Blue Cross Blue Shield reported by October 31 each year.

**Measure Target:** 52.5% average rating of overall health plan and overall health care, representing a 5% increase reported by October 31, 2006.

**Measure Source and Calculation:**

HEDIS Survey conducted annually for Anthem Blue Cross Blue Shield Commonwealth of Virginia Health Plan by Intelliscan/Data Insights, Inc.

- **Measure 70406.01.06**

***Dental, drug and behavioral health customer satisfaction for state and local health plan participants***

**Measure Type:** Outcome      **Measure Frequency:** Annually

**Measure Baseline:** Baseline based on first year survey results expected early 2006

**Measure Target:** 80% or above member customer satisfaction survey results reported by October 31, 2006

**Measure Source and Calculation:**

Member satisfaction surveys conducted annually by vendors and reported to the Office of Health

Benefits in accordance with their contracts

**Objective 70406.01 Has the Following Strategies:**

- Continue focus on integrated case management and chronic disease management programs, incorporating individual vendor strategies and strengths into a comprehensive and broad based program.
- Evaluate wellness and preventive care benefit provisions under the state health program to ensure they are competitive and encourage appropriate lifestyle behaviors that promote better health habits.
- Procure, develop and offer to state and local government employees an HSA-compliant High Deductible Health Plan that is competitive with those offered by other state health programs and private industry.

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- Administer contract standards of performance for all vendors providing services to employees and retirees under the state health program.
- Deliver to local government employers high-quality, cost effective health programs that are competitive with public carrier offerings and provide wellness, preventive care and disease management focus similar to those offered to state employees.
- Implement educational, wellness and disease management programs to improve the health and fitness of state and local government employees and retirees and their families and to help them better manage chronic conditions.
- Develop or procure and implement customer service tracking system to improve effectiveness and increase efficiencies in managing customer service inquiries.

#### **Objective 70406.02**

##### ***Comply with federal regulations for Medicare Part D Drug Benefit program for state retiree health programs.***

Retiree programs must be evaluated in context with the new Medicare Part D drug benefit to determine how to integrate Part D with the existing retiree programs to provide a cost-effective and comprehensive option that is the most advantageous to retirees. Communication and education to this population will be extremely important, but will be a challenge given demographic and logistical opportunities within the retiree group.

##### **This Objective Supports the Following Agency Goals:**

- Provide statewide leadership in all areas of human resources management and address continuously changing management needs of state agencies throughout the Commonwealth.
- Provide timely, accurate, and consistent human resource information utilizing cost effective delivery channels.

##### **This Objective Has The Following Measure(s):**

###### **● Measure 70406.02.01**

###### ***Actuarial tests for compliance with federal regulations for Medicare Part D***

**Measure Type:** Outcome      **Measure Frequency:** Annually

**Measure Baseline:** Pass the actuarial equivalence and creditable coverage tests performed by an actuary

**Measure Target:** Pass the actuarial equivalence and creditable coverage tests performed by an actuary

###### **Measure Source and Calculation:**

Actuarial analysis of program benefit for actuarial equivalence test and creditable coverage determinations.

##### **Objective 70406.02 Has the Following Strategies:**

- Evaluate Medicare Part D options available under the state retiree health program, including actuarial and underwriting analyses, retiree focus groups and discussion with key legislators to determine the option(s) most advantageous to Medicare retirees.
- Communicate Medicare Part D options to retirees and assist them, through written communication and retiree meetings, in making informed decisions about their drug benefit.

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- Evaluate retiree health program options to determine cost effective program that meets retiree health care coverage needs.